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Correspondence Memorandum

Date: February 26, 2018
To: Employee Trust Funds Board
From: Jim Guidry, Director
Benefit Services Bureau
Division of Retirement Services
Subject: October – December 2017 Quarterly Disability Annuity Statistics

This memo is for informational purposes only. No Board action is required.

Attached is the Wisconsin Retirement System (WRS) *2017 Fourth Quarter Disability Benefit Statistical Report* for the period October 2017 through December 2017. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type.

We would appreciate any feedback you may offer for this report. Please contact Jim Guidry at (608) 266-5387 or jim.guidry@etf.wi.gov if you have comments or questions.

Staff will be at the Board meeting to answer any questions.

Attachment: 2017 Fourth Quarter Disability Statistical Report

Reviewed and approved by Matt Stohr, Administrator
Division of Retirement Services

Electronically Signed 3/13/18

Board	Mtg Date	Item #
ETF	3.29.18	6F

Benefit Services Bureau

2017 Fourth Quarter Disability Benefit Statistical Report



February 13, 2018

Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2017 Fourth Quarter Disability Benefit Statistical Report* provides a statistical review of the Disability Annuity (40.63) and Duty Disability (40.65) programs for the months of October, November, and December 2017. This report provides a review of benefit payments, the number of individuals receiving benefits and other demographic data. As you will see from the data below, the number of active 40.63 claims declined during this quarter as well as from the beginning of 2017, while the number of active 40.65 claims increased during this quarter as well as from the beginning of 2017. The number of active 40.63 claims are expected to begin increasing in 2018 as the program is now open to all eligible members. Annual trends and data are included in the annual report, which is typically presented at the first Board meeting of the year.

The Disability Programs Section (DPS) continues working on the disability programs redesign project. The phase of this project covered by this report centered on efforts to close the Long-Term Disability Insurance (LTDI) program and re-open the 40.63 program to new claims on January 1, 2018. Updates to administrative rules that were required to enable these changes became effective on January 1, 2018.

Another component of closing the LTDI program involved ETF staff doing system testing to transition the remaining LTDI benefit payments from the Third-Party Administrator, Aetna, to ETF systems. Final LTDI data from Aetna was successfully ingested and benefit payments from BPS commenced on February 1, 2018. Concurrently the 40.63 program started accepting claims from newly eligible members. The volume of disability annuity claims filed has risen as expected.

Disability program staff are now focused on migrating LTDI administrative functions from Aetna to ETF. This process is expected to be completed by the end of 2018.

ETF has also proposed changes to the Income Continuation Insurance (ICI) program in order to address the actuarial deficit in the state ICI program. These changes would transform the ICI program to a short-term disability income program with an 18-month benefit duration. ETF has developed the necessary amendments to statutory language that will enable these changes to occur. Concurrently, ETF developed statutory language that will enable oversight of the ICI and LTDI programs to come under the authority of the ETF Board, rather than the Group Insurance Board (GIB). The GIB approved both initiatives at its February 8, 2017, meeting. ETF has been actively working with possible legislative sponsors to introduce the ICI legislation.

Claim Payments

Table 1.1 shows the monthly total claim payments made during the fourth quarter of 2017 for the 40.63 and 40.65 programs.

Table 1.1. Disability Benefit Payments (40.63 and 40.65)

Program	Oct 2017	Nov 2017	Dec 2017	4th Qtr 2017*
40.63	11,715,772	11,701,066	11,697,481	35,114,318
40.65	2,884,702	2,889,451	2,982,392	8,756,544

*Quarterly totals may not equal the sum of monthly figures due to rounding

Disability annuity benefit payments (40.63) increased 0.97% when compared to fourth quarter 2016 payments (\$34.8 million). Duty disability payments (40.65) increased 2.32% compared to fourth quarter 2016 payments (\$8.5 million).

The number of active claimants receiving 40.63 and 40.65 benefits in the fourth quarter 2017 are described in table 1.2.

Table 1.2. 40.63 and 40.65 active claimants

Program	Oct 2017	Nov 2017	Dec 2017
40.63	6,284	6,269	6,275
40.65	1,005	1,007	1,011

There were 6,378 disability annuitants at the beginning of 2017 and 1,002 claimants receiving 40.65 benefits.

§ 40.63 Disability Annuity

40.63 disability annuity estimates requested and completed in the fourth quarter of 2016 and 2017 are shown in Table 1.3.

Table 1.3. 40.63 disability estimates requested and completed 2016-2017

	Oct	Nov	Dec	Quarter
2017 Disability Estimates Requested	25	101	86	212
2016 Disability Estimates Requested	30	14	28	72
2017 Disability Estimates Completed	21	85	102	208
2016 Disability Estimates Completed	33	16	22	71

There is a notable increase in the amount of disability estimates requested. This increase was expected and occurred because of reopening of the 40.63 program. Although actual 40.63 claims could not be filed during the quarter, ETF began accepting estimate requests once the administrative rule changes were completed.

There were four Teachers Retirement (TR) Board annuities started in the period examined. There were five TR annuities started in the same period in 2016. All four TR Board annuities started in the fourth quarter were started for female claimants. For the fourth quarter of 2016 three TR Board annuities were started for women (60%) and two annuities were started for men (40%). Table 1.4 shows the breakdown of annuity options selected by new annuitants.

Table 1.4. TR Board annuities started by option selected

Option	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	2	0	1	3	2
Life Annuity with 60 Payments Guaranteed	0	0	0	0	0
For Annuitant's Life Only	0	0	1	1	0
Life Annuity with 180 Payments Guaranteed	0	0	0	0	0
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	1
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	1
TOTAL	2	0	2	4	5

There were six Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 12 WR annuities started in the same period in 2016. WR Board annuities in the quarter were made up of three female annuitants (50%) and three male annuitants (50%). In 2016 new WR Board annuities were split between five female and seven male annuitants. Table 1.5 shows the breakdown of options selected by new WR Board annuitants.

Table 1.5. WR Board annuities started by option selected

Option	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	3	0	1	4	7
Life Annuity with 60 Payments Guaranteed	0	0	0	0	1
For Annuitant's Life Only	0	0	1	1	1
Life Annuity with 180 Payments Guaranteed	1	0	0	1	2
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	0
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	4	0	2	6	12

New 40.63 Claims

There were four TR Board disability applications filed in the fourth quarter of 2017. All four of those applications were approved. By comparison, five applications were filed for the same period in 2016 - all five of those applications were approved. There were 11 WR Board disability applications filed in the fourth quarter of 2017. All 11 applications were approved. There were 16 WR Board disability annuity applications in the same period of 2016.

Tables 2.1 and 2.2 show the breakdown of disability annuity applications by age. The greatest number of claims are concentrated in the 51-60 age range, the norm for this program. Claims for 40.63 benefits are expected to expand this age range to younger claimants in 2018 now that the program is available to all eligible state employees. Overall claim volume for the 40.63 program is expected to increase by approximately 330 new 40.63 claims per year beginning in 2018, and the early claim volume in January and February appears to be falling within ETF's expectations.

Table 2.1. TR Board applications by age

Age	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
46-50	0	0	1	1	1
51-55	1	1	0	2	2
56-60	0	0	1	1	2
TOTAL	1	1	2	4	5

Table 2.2. WR Board applications by age

Age	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
41-45	1	0	0	1	0
46-50	1	1	0	2	2
51-55	1	1	1	3	10
56-60	3	0	0	3	4
61-65	0	2	0	2	0
TOTAL	6	4	1	11	16

Tables 2.3 and 2.4 show the breakdown of fourth quarter 2017 disability applications by disability type. TR Board applications are evenly spread among various disability types. WR Board claims primarily consist of orthopedic (45%) and neurology (27%) claims.

Table 2.3 TR Board disability applications by disability type

Disability Type	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
Cancer	0	0	1	1	0
Gastro/Intestinal	1	0	0	1	0
Mental Illness	0	0	0	0	1
Muscle/Tissue	0	1	0	1	0
Neurology	0	0	1	1	2
Orthopedic	0	0	0	0	2
TOTAL	1	1	2	4	5

Table 2.4 WR Board disability applications by disability type

Disability Type	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
Brain Injury	0	0	0	0	1
Cancer	0	0	0	0	1
Cardiovascular	0	0	0	0	1
Gastro/Intestinal	0	0	0	0	1
Mental Illness	0	0	1	1	2
Multiple Medical Problems	1	0	0	1	1
Multiple Sclerosis	1	0	0	1	0
Muscle/Tissue	0	0	0	0	2
Neurology	1	2	0	3	5
Orthopedic	3	2	0	5	0
Respiratory	0	0	0	0	2
TOTAL	6	4	1	11	16

§ 40.65 Duty Disability

There were six duty disability benefits started in the fourth quarter of 2017, compared with three duty disability benefits started in the same period in 2016. Three of the fourth quarter 2017 claims were approved under the cancer, heart and lung, or infectious disease presumptive statutes. Five of the claims were approved, one claim was denied for not meeting the established non-traumatic mental illness standard, and one claim was originally denied, but the denial was rescinded and the claim was approved.

Table 3.1 Duty Disability applications by disability type

Disability Type	Oct	Nov	Dec	4th Qtr 2017	4th Qtr 2016
Musculoskeletal	0	1	1	2	1
Cardiovascular	0	1	1	2	0
Cancer	0	0	1	1	0
Mental Illness	0	0	1	1	0
Multiple Medical Problems	0	0	0	0	1
Other	0	0	0	0	1
TOTAL	0	2	4	6	3